

FDIC State Profile

Winter 2005

Utah

Utah job growth remained strong and wages increased modestly.

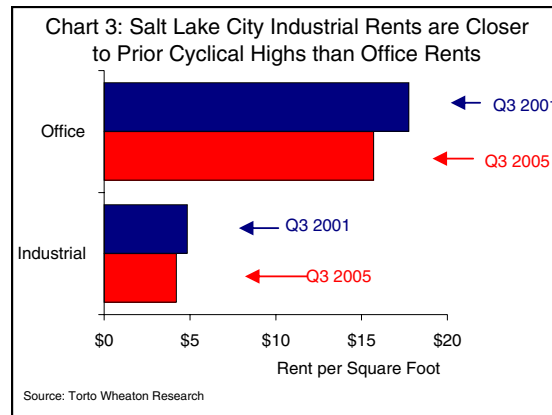
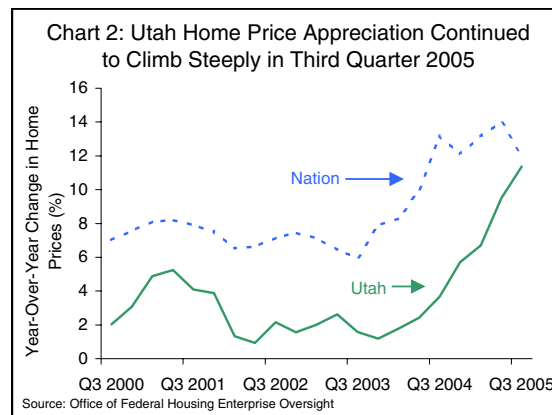
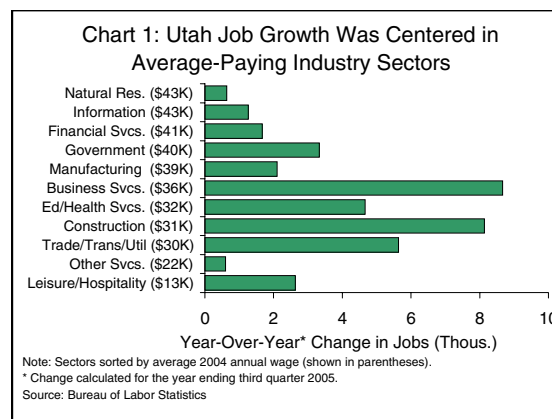
- Utah year-over-year job gains continued to accelerate in third quarter 2005 and ranked fourth nationwide at 3.6 percent. Recently released wage data for first quarter 2005 show that wage gains in the state measured 1.3 percent, below the national growth rate of 2.2 percent.
- Recent job growth was led by the business services and construction sectors, which reported annual wages near the state average of \$32,100 (see Chart 1).
- However, continued job gains in the higher-paying natural resources and information sectors could boost the state average wage.
- Forecasts indicate Utah job growth will continue to exceed the national pace through 2006.¹

Utah residential markets continued to improve.

- Utah year-over-year home price appreciation increased from 9.5 percent in second quarter 2005 to 11.4 percent in third quarter 2005 (see Chart 2).² Although still lagging the national rate of 12.0 percent, price gains for Utah placed it 22nd among the states, up from last place in 2003.
- Sales activity was strongest in Salt Lake County where condominium sales were up 36 percent from year-ago levels.³

Most Salt Lake City commercial real estate sectors continued to rebound.⁴

- Although office vacancies and rents in Salt Lake City continued to improve in third quarter 2005; the office vacancy rate remained above 14 percent (see Chart 3).
- Third quarter apartment vacancies also declined to 7.9 percent and rents edged up slightly, in large part due to



¹Forecast data from Moody's Economy.com.

²Home price appreciation data is from the Office of Federal Housing Enterprise Oversight.

³According to the Utah Association of Realtors, second quarter 2005 data.

⁴Based on office and industrial property data from Torto Wheaton Research and hotel and apartment market data from Property & Portfolio Research.

State Profile

constrained supply. However, the total number of multifamily units in the planning and bidding phases is 6.5 percent of inventory, the eighth highest in the country.

- Hotel occupancy rates in Salt Lake City reached nearly 64 percent in the third quarter, the highest since 1999.

Strong population growth propelled banking activity.

- Utah, with the seventh fastest 2004 population growth rate nationwide, has ranked in the top ten for the last 14 years. Utah added 11 banking offices between June 2004 and June 2005 and ranked 26th nationally in office growth.
- Although six new offices were opened in Salt Lake City during the year ending June 2005, the market's people per banking office still exceeded the national metropolitan level (see Map 1).
- As of June 2005, out-of-state institutions held 10 percent of deposits in Utah branches, almost double the 6 percent reported five years ago. This is a reflection of both new entrants and industry consolidation.

Utah institutions reported the highest pre-tax return on assets (ROA) in the nation.

- Third quarter 2005 earnings improved year-over-year at Utah-based insured institutions; the median return on assets (ROA) increased from 1.54 to 1.94 percent. Earnings improved as net interest margin expansion and steady noninterest income offset higher overhead expenses.
- Rising short-term interest rates benefited banks, which held a median ratio of instruments repricing within three months to total assets of 53 percent (see Chart 4).⁵ Nationwide, 25 percent of bank assets were scheduled to reprice within a similar timeframe.
- ILCs, which account for 45 percent of Utah institutions, reported lower earnings as the median ROA decreased from 2.56 to 1.89 percent, primarily because of higher overhead expenses and net interest margin compression.

Problem loan ratios declined, and loan growth accelerated.

- Statewide, asset quality improved year-over-year in third quarter 2005; delinquencies fell below nationwide medians. However, 35 percent of ILCs, which tend to specialize in commercial and industrial and consumer lending, reported delinquent loans above 3 percent compared to 20 percent nationwide (see Chart 5).

- Rapidly growing, unseasoned portfolios may have helped to ease delinquency ratios at the state's insured institutions. Annual loan growth among Utah-based institutions ranked seventh in the nation. Robust construction loan growth among non-ILC charters pushed the group's median construction loan-to-Tier 1 capital ratio to 140 percent, more than three times nationwide levels.

Map 1: The Salt Lake City Market Reported More People Per Office Than Utah's Smaller Areas

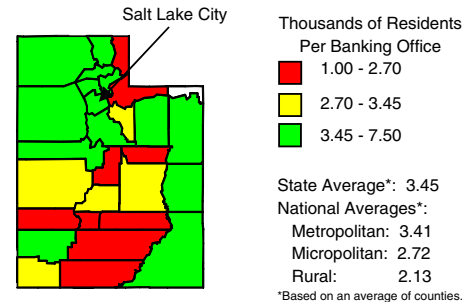


Chart 4: High Levels of Short-Term Assets Benefited Utah Margins as Rates Continued to Rise

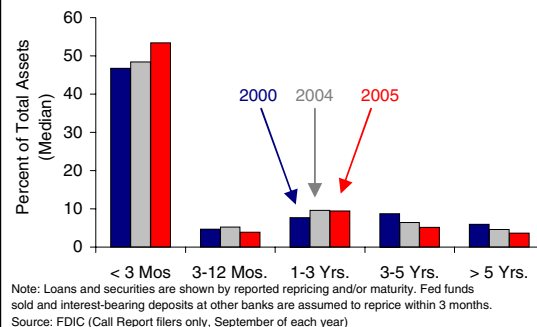
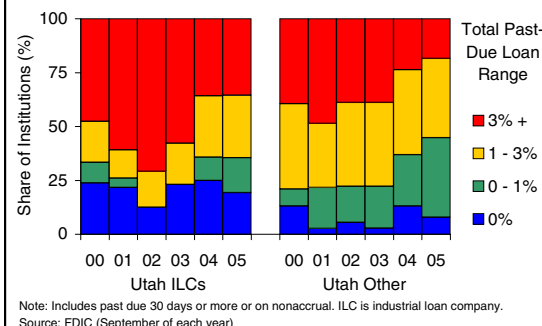


Chart 5: Delinquencies Improved in Utah but Remained High Among Several ILCs



⁵Asset-sensitive institutions have interest-bearing assets that mature or reprice more quickly than interest-bearing liabilities.

Utah at a Glance

ECONOMIC INDICATORS (Change from year ago, unless noted)

Employment Growth Rates	Q3-05	Q2-05	Q3-04	2004	2003
Total Nonfarm (share of trailing four quarter employment in parentheses)	3.6%	3.4%	3.2%	2.7%	0.1%
Manufacturing (10%)	1.8%	2.1%	3.2%	2.3%	-1.4%
Other (non-manufacturing) Goods-Producing (8%)	10.3%	8.9%	9.2%	7.0%	-0.6%
Private Service-Producing (64%)	3.5%	3.4%	3.0%	2.8%	0.2%
Government (18%)	1.7%	1.8%	1.5%	1.1%	0.8%
Unemployment Rate (% of labor force)	4.6	4.8	5.2	5.2	5.7

Other Indicators	Q3-05	Q2-05	Q3-04	2004	2003
Personal Income	N/A	7.4%	6.9%	6.7%	3.7%
Single-Family Home Permits	13.4%	24.5%	19.6%	11.8%	15.6%
Multifamily Building Permits	-21.6%	-51.3%	-16.0%	-4.0%	14.2%
Existing Home Sales	26.6%	9.7%	-7.2%	-0.7%	7.3%
Home Price Index	11.4%	9.5%	3.7%	3.4%	1.8%
Nonbusiness Bankruptcy Filings per 1000 people (quarterly annualized level)	8.77	8.90	8.84	8.73	10.11

BANKING TRENDS

General Information	Q3-05	Q2-05	Q3-04	2004	2003
Institutions (#)	69	68	66	67	64
Total Assets (in millions)	212,774	207,627	198,169	193,304	150,904
New Institutions (# < 3 years)	13	10	11	12	10
Subchapter S Institutions	10	10	9	10	8

Asset Quality	Q3-05	Q2-05	Q3-04	2004	2003
Past-Due and Nonaccrual Loans / Total Loans (median %)	1.32	1.62	1.68	2.17	2.82
ALLL/Total Loans (median %)	1.42	1.51	1.51	1.53	1.70
ALLL/Noncurrent Loans (median multiple)	2.72	2.34	2.65	2.75	1.91
Net Loan Losses / Total Loans (median %)	0.10	0.08	0.23	0.27	0.54

Capital / Earnings	Q3-05	Q2-05	Q3-04	2004	2003
Tier 1 Leverage (median %)	13.68	14.00	13.94	13.49	13.59
Return on Assets (median %)	1.94	1.93	1.54	1.63	1.55
Pretax Return on Assets (median %)	2.79	2.56	2.30	2.18	2.15
Net Interest Margin (median %)	5.54	5.45	5.30	5.13	5.26
Yield on Earning Assets (median %)	7.47	7.07	6.76	6.72	6.84
Cost of Funding Earning Assets (median %)	1.87	1.69	1.22	1.23	1.32
Provisions to Avg. Assets (median %)	0.27	0.29	0.27	0.26	0.38
Noninterest Income to Avg. Assets (median %)	1.19	1.21	1.16	1.18	1.39
Overhead to Avg. Assets (median %)	3.92	3.56	3.56	3.72	3.88

Liquidity / Sensitivity	Q3-05	Q2-05	Q3-04	2004	2003
Loans to Assets (median %)	70.1	74.8	73.3	71.6	69.5
Noncore Funding to Assets (median %)	24.4	26.6	25.8	23.2	22.1
Long-term Assets to Assets (median %, call filers)	3.7	3.9	4.7	4.5	4.1
Brokered Deposits (number of institutions)	37	38	35	38	31
Brokered Deposits to Assets (median % for those above)	40.0	42.1	31.3	36.6	31.9

Loan Concentrations (median % of Tier 1 Capital)	Q3-05	Q2-05	Q3-04	2004	2003
Commercial and Industrial	85.4	64.8	81.3	65.6	77.4
Commercial Real Estate	40.5	30.9	39.8	23.5	71.0
Construction & Development	1.4	3.6	6.2	2.4	13.1
Multifamily Residential Real Estate	0.3	0.2	0.3	0.2	0.4
Nonresidential Real Estate	16.2	18.3	18.9	19.7	33.6
Residential Real Estate	16.2	17.1	25.8	22.8	27.3
Consumer	16.1	15.9	19.4	17.1	24.6
Agriculture	0.0	0.0	0.0	0.0	0.0

BANKING PROFILE

Largest Deposit Markets	Institutions in Market	Deposits (\$ millions)	Asset Distribution	Institutions
Salt Lake City, UT	58	101,616	< \$250 million	38 (55.1%)
Ogden-Clearfield, UT	19	9,296	\$250 million to \$1 billion	16 (23.2%)
Provo-Orem, UT	14	2,727	\$1 billion to \$10 billion	7 (10.1%)
St. George, UT	10	1,345	> \$10 billion	8 (11.6%)
Logan, UT-ID	12	934		